Al-Tijari التجاري

Date: 30 December 2021
REF: CCG/106/2021

Sirs, Capital Markets Authority
Sirs, Boursa Kuwait

Greetings,

According to chapter four (Disclosure of Material Information) of rulebook ten (Disclosure and Transparency) of CMA Executive Bylaws of Law No. 7/2010 and its amendments.

Kindly find attached the Annex No. (9) Disclosure of Credit Rating Form covering the credit rating report issued by Moody's about Commercial Bank of Kuwait.

Please note that there is no change from the previous credit ratings. Please also be advised that according to this report the Bank's ratings were confirmed, with a stable outlook.

Best Regards,

for/ **Tamim Khaled Al Meaan**
GM, Compliance and Corporate Governance

البنك التجاري الكويتي The Commercial Bank of Kuwait SAK

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سجل تجاري رقم
C.R. No. 7706
رأس المال المصرح به 250,000,000 د.ك – رأس المال المصدر والمدفوع 199,205,644.500 د.ك
Authorized capital KD 250,000,000 - Issued and paid-up capital KD 199,205,644.500

Annex (9)

Disclosure of Credit Rating Form

Date	30 December 2021
Name of Listed Company	Commercial Bank of Kuwait (K.P.S.C) CBK
Entity who issues the rating	Moody's
Rating category	– Long-term Counterparty Risk Ratings: A2 – Short-term Counterparty Risk Ratings: P-1 – Long-term Bank Deposits: A3 – Short-term Bank Deposits: P-2 – Baseline Credit Assessment: ba1 – Adjusted Baseline Credit Assessment: ba1 – Long-term Counterparty Risk Assessment: A2(cr) – Short-term Counterparty Risk Assessment: P-1(cr)
Rating implications	"Moody's" use principle methodology when rating banks, the same can be found on the agency website. <u>Counterparty Risk Ratings:</u> CRRs are opinions of the ability of entities to honor the uncollateralized portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honored. – Long-term Counterparty Risk Ratings, affirmed A2: Obligations rated A are judged to be upper-medium grade and are subject to low credit risk. The modifier 2 indicates a mid-range ranking. – Short-term Counterparty Risk Ratings, affirmed P-1: Issuers or supporting institutions rated P-1 have a superior ability to repay short-term debt obligations. <u>Bank Deposit Ratings:</u> BDRs are opinions of a bank's ability to repay punctually its foreign and/or domestic currency deposit obligations and also reflect the expected financial loss of the default. – Long-term Bank Deposits, affirmed A3 stable: Obligations rated A are judged to be upper-medium grade and are subject to low credit risk. The modifier 3 indicates a ranking in the

	lower end of that generic rating category. – Short-term Bank Deposits, affirmed P-2: Issuers or supporting institutions rated Prime-2 has a strong ability to repay short-term debt obligations. <u>Baseline Credit Assessment:</u> BCAs are opinions of issuers' standalone intrinsic strength, absent any extraordinary support from an affiliate or a government. – Baseline Credit Assessment, Affirmed ba1: Issuers assessed ba are judged to have speculative intrinsic, or standalone, financial strength, and are subject to substantial credit risk absent any possibility of extraordinary support from an affiliate or a government. The modifier 1 indicates that the obligation ranks in the higher end of its generic assessment category. <u>Counterparty Risk Assessment:</u> CRAs are opinions on the likelihood of a default by an issuer on certain senior operating obligations and other contractual commitments. – Long-term Counterparty Risk Assessment, affirmed A2(cr): Long-term counterparty risk Assessment reference obligations with an original maturity of one year or more. Issuers assessed A (cr) are judged to be upper-medium grade and are subject to low risk of defaulting on certain senior operating obligations and other contractual commitments. The modifier 2 indicates a mid-range ranking – Short-term Counterparty Risk Assessment, affirmed P-1(cr): Short-term counterparty risk assessments reference obligations with an original maturity of thirteen months or less. Issuers assessed P-1(cr) have a superior ability to honor short-term operating obligations.
Rating effect on the status of the company	The report reflects the strengths and weakness for the bank and Moody's expectations in this regard, also addresses the political stress, any exacerbated negative implications from the coronavirus pandemic and sustained low oil prices remain the main downside risks to these expectations.
Outlook	Stable. The stable outlook on CBK's ratings reflects the balance between the bank's strong core revenue-generating capacity and solid capital, and provisioning buffers against high credit concentrations, and the recent high provisioning charges and write-offs.

Translation of the press release or executive summary	CBK's ba1 BCA reflects its high credit concentrations and large provisioning charges and write-offs, as well as low bottom-line earnings. The BCA also reflects the bank's deposit based funding structure, although funding concentrations remain an issue; comfortable liquidity buffers; and solid capitalisation, with Common Equity Tier 1 (CET1) capital / risk weighted assets (RWA) of 16.5% as of September 2021. Political stress, any exacerbated negative implications from the coronavirus pandemic and sustained low oil prices remain the main downside risks. As of 30 June 2021, Commercial Bank of Kuwait K.P.S.C. (CBK) had total assets of KWD4.1 billion ($13.7 billion). CBK was the eighth largest bank in Kuwait in terms of assets as of 30 June 2021, with an around 5.5% domestic market share. CBK provides its retail and corporate customers with a range of banking and financial services, including lending and deposit facilities, as well as money market, foreign exchange, treasury bond, asset management and brokerage facilities. Over the coming quarters, we expect CBK's credit cost to improve but remain high. Geopolitical and domestic political stress, new Covid variants and lower oil prices remain the main downside risks that could strain the bank's domestic asset quality. CBK continues to record strong operating efficiency, with a cost-to-income ratio of around 30.6% for the first nine months of 2021. The bank's pre-provision income/average total assets was 2.1% for the same period, above the system average of around 1.6%, and provides a first line of defense against potential losses.